

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0283-10
Bill No.: Truly Agreed To and Finally Passed CCS for HCS for SCS for SB 17
Subject: Education, Elementary and Secondary; Boards, Commissions, Committees, Councils; Elementary and Secondary Education Department; Retirement - Schools; General Assembly; Teachers; Religion
Type: Original
Date: June 7, 2013

Bill Summary: This proposal modifies provisions relating to education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(\$51,591)	(\$59,325)	(\$59,940)
Total Estimated Net Effect on General Revenue Fund	(\$51,591)	(\$59,325)	(\$59,940)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 15 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government*	\$2,969,162	\$3,405,394	\$3,645,394

***Does not reflect the decrease in the Unfunded Actuarial Accrued Liability (UAAL) of \$62,020,376 to the Public School Retirement System and an increase in the UAAL \$1,515,845 to the Public Education Employees' Retirement System.**

FISCAL ANALYSIS

ASSUMPTION

§135.1220 - Bryce's Law

Officials at the **Department of Elementary and Secondary Education (DESE)** assume by federal law, the obligation to educate students with developmental disabilities or other special needs would remain with the public schools, although private schools would receive donor funds to educate the students.

Accepting donations/financial resources of any kind at the state level may jeopardize the state's MOE (Maintenance of Effort) threshold required under the Individuals with Disabilities Education Act (IDEA). The state must maintain the level of funding made available (no matter the source) at the state level for special education students as it did the previous year. Any fluctuations in donations could cause the MOE threshold to rise and fall. In years where donations are sparse, the general assembly would have to supplement the shortfall with state funds in order to maintain the MOE threshold or risk losing IDEA grant funds to schools.

DESE assumes that if a child has been determined eligible for First Steps (birth to 2) or ECSE (3-5), these scholarships may be "double-dipping" or "program income" as ECSE services are reimbursed 100% and parents pay less than \$1200 maximum per year for First Steps services.

§135.1220.3 requires DESE to develop a master list of resources available to the parents of children with an autism spectrum disorder and to maintain a web page for the information. In addition, the section requires DESE to actively seek financial resources in the form of grants and donations. §135.1220.4 requires the director to determine at least annually, which organizations in this state may be classified as scholarship granting organizations.

DESE will require 1.0 FTE supervisor and 2.0 FTE administrative assistant to carry out the many requirements of this proposal. However, there is an issue as to how these positions would be funded. Federal funds could not be used.

§135.1220.21 of the proposal requires DESE to conduct a study of the program with funds other than state funds. It indicates that DESE may accept grants to assist in funding this study. It should be noted that the study will not likely get completed unless DESE receives external funding.

ASSUMPTION (continued)

Oversight assumes the Supervisor position would be needed to oversee the program. Should the number of applicants increase by a measurable amount, DESE could seek additional FTE through the appropriations process.

Oversight has, for fiscal note purposes only, adjusted the salary and benefits for the Supervisor position to correspond to the starting salary for that position as posted by DESE on their web site for a similar position.

Officials from the **Department of Social Services (DOS)** state there is no direct fiscal impact to DOS since all administrative responsibilities fall to the Department of Elementary and Secondary Education.

Officials from the **Special School District of St. Louis County** assume there may some fiscal impact from Bryce's law, but it is difficult to project what the impact will be. The fiscal impact is not expected to be material, at least in year one.

Oversight assumes that there could be a loss to Public School Districts if a student were to switch from a public to private school. Oversight has not shown that impact in the fiscal note as it is unclear if that would occur.

§161.249 - Advisory Council on the Education of Gifted and Talented Children

Officials from the **Department of Elementary and Secondary Education** assume their agency might incur costs depending upon the actions of the council, but those costs would not likely be significant.

Officials from the **Special School District of St. Louis County** state the proposal is not expected to have a fiscal impact on their district.

In response to Perfected SB 193, officials from the **Parkway School District** and the **Francis Howell School District** each assumed the proposal would not fiscally impact their respective school districts.

§168.021 - Teaching certificates

Officials from the **Department of Elementary and Secondary Education** state this section of the proposal will have no fiscal impact on their agency or on school districts.

ASSUMPTION (continued)

Officials from the **Department of Higher Education** state this section of the proposal would have no direct, foreseeable fiscal impact on their agency.

Officials from the **University of Central Missouri (UCM)** estimate little direct fiscal impact, but the extension of American Board for Certification of Teacher Excellence (ABCTE) certification could possibly negatively affect UCM enrollment if students choose that alternative route to teacher certification.

§§169.070 & 169.670 - Teacher and School Employee Retirement

Officials from the **Joint Committee on Public Employee Retirement (JCP)** state that according to the actuarial information provided by the Public School Retirement System (PSRS) and Public Education Employees Retirement System (PEERS), the legislation would indicate that such provisions would constitute a substantial proposed change in future plan benefits as defined in §105.660(10).

The proposal modifies the “25 and Out” provisions from a sunset date of July 1, 2013, to a permanent extension. This provisions allows a member to retire with a reduced retirement benefit at 25 years of service regardless of age. This applies to PSRS and to PEERS.

The proposal also modifies the “2.55% multiplier” provisions from a sunset date of July 1, 2013, to July 1, 2014. This provision allows a member with 31 or more years of service to retire with an increased benefit multiplier of 2.55% (rather than 2.5%). This applies PSRS only.

According to the actuarial information provided by the **Public School Retirement System (PSRS) and the Public Education Employee Retirement System (PEERS)**, the provisions included in this proposal affecting PSRS would decrease the Unfunded Actuarial Liability (UAAL) by \$62,020,376. The decrease in contributions to the PSRS would total approximately \$8,162,811 which is an employer/teacher matching contribution.

The provisions included in the proposal affecting PEERS would increase the UAAL by \$1,515,845. The increase in contributions to the PEERS would total approximately \$174,022 (.01% of payroll) annually which is an employer/employee matching contribution.

ASSUMPTION (continued)

§§169.270, 169.291, 169.301, 169.324, 169.350 -Kansas City Public School Retirement System

Officials from the **Joint Committee on Public Retirement (JCP)** state that their review of the legislation indicates that such provisions associated with the Kansas City Public School Retirement System may constitute a substantial proposed change in future plan benefits.

§§169.270 & 169.234 - Change in minimum retirement age and benefit multiplier

According to **JCP**, the proposal modifies the normal retirement eligibility and benefit multiplier for employees hired on or after January 1, 2013. The normal retirement eligibility is modified from age 60 with five years for service (or Rule of 75) to age 60 with five years of services (or Rule of 80).

The benefit multiplier is modified from 2.00% of compensation times service to 1.75% of compensation times service.

Officials from the **Kansas City Public School Retirement System (KCPSRS)** assume the benefit reductions under the proposed changes will result in lower total contributions. In 2014, the required contribution would decrease by approximately \$30,000. The decrease in the required contribution will grow each year following – decreasing by approximately \$190,000 in 2015 and \$430,000 in 2016.

§§169.291 & 169.350 - Contribution rates

JCP states the proposal also modifies employer/employee contribution rates from 7.50% of pay (each for a total of 15%) to an actuarially determined rate not less than 7.50% (each) and not greater than 9.00% (each). Any annual decrease shall not exceed 0.5% annually.

Officials from the **KCPSRS** state member contributions are projected to increase to 8.00% in 2014, 8.50% in 2015, and 9.00% in 2016. It is projected that by 2031, the member contribution rate will revert back to its current level of 7.50% of pay. The resulting increase is estimated at \$779,000 annually, starting January 1, 2014 (employer contribution) for each of these three years.

Officials from the **Kansas City Public School District** assume the impact to the district, at existing staffing levels, for each .5% incremental increase, would cost the district approximately \$500,000.

ASSUMPTION (continued)

§178.550 - Career and Technical Education Advisory Council

Officials from the **Department of Elementary and Secondary Education** state that, until the make up of the council is determined, they cannot estimate costs; however, they do not anticipate significant costs.

Officials from **Linn State Technical College** indicated an unknown fiscal impact.

Oversight assumes any fiscal impact to community colleges would only relate to participation on the advisory council which would be minimal and could be absorbed with existing resources.

Officials from the **University of Central Missouri** assume the proposal would not fiscally impact their institution.

Also in response to SCS for SB 17, officials from the **Missouri Senate** assumed the proposal would not fiscally impact their agency.

A response was not received from **Southeast Missouri State University**. The proposal relates to their participation on the advisory council and Oversight assumes any costs associated with such participation would be minimal.

Bill as a whole:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to BAP, but defer to the Department of Elementary and Secondary Education and the Public School Retirement System for responses regarding fiscal impact of the legislation for their agencies.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$2,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, SOS reserves the right to request

ASSUMPTION (continued)

funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Department of Higher Education, Department of Economic Development - Division of Workplace Development, Administrative Hearing Commission, Department of Revenue, Department of Health and Senior Services, Department of Economic Development, Joint Committee on Administrative Rules, Department of Industrial Relations, Department of Insurance, Finance and Professional Registration, Department of Mental Health, Department of Social Services Office of the Governor, Office of the Attorney General, Missouri State University, Northwest Missouri State University, Kansas City Metropolitan Community College** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Costs - Department of Elementary and Secondary Education (DESE)</u>			
Personal Service	(\$31,640)	(\$38,348)	(\$38,731)
Fringe Benefits	(\$16,056)	(\$19,460)	(\$19,654)
Equipment and Expenses	<u>(\$3,895)</u>	<u>(\$1,517)</u>	<u>(\$1,555)</u>
Total Costs - DESE (\$135.1220)	<u>(\$51,591)</u>	<u>(\$59,325)</u>	<u>(\$59,940)</u>
Total FTE Change DESE	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$51,591)</u>	<u>(\$59,325)</u>	<u>(\$59,940)</u>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL GOVERNMENT FUNDS			
<u>Income</u> - School districts - Scholarships for children attending new school districts (§135.1220)	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Savings</u> - School districts - Districts that lose students would realize savings from not incurring education expenses specific to those students with developmental disabilities (§135.1220)	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Savings</u> - Kansas City Public Schools - Reduction in retirement contribution (§§169.270 & 169.324)	\$30,000	\$190,000	\$430,000
<u>Savings</u> - Public Schools (PSRS) - Decrease in employer contributions (§§169.070 & 169.670)	\$3,401,171	\$4,081,405	\$4,081,405
<u>Costs</u> - Public Schools (PEERS) Increase in employer contributions (§§169.070 & 169.670)	(\$72,509)	(\$87,011)	(\$87,011)
<u>Costs</u> - Kansas City Public Schools - Increase in retirement contribution (§§169.291 & 169.350)	(\$389,500)	(\$779,000)	(\$779,000)
<u>Costs</u> - School districts - Districts that receive students based upon this proposal could incur additional educational expenses higher than what would be provided as a scholarship (§135.1220)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS*	<u>\$2,969,162</u>	<u>\$3,405,394</u>	<u>\$3,645,394</u>

FISCAL IMPACT Local Government
(continued)

***Estimated Net Effect on Local Governments does not reflect the decrease in the Unfunded Actuarial Accrued Liability (UAAL) of \$62,020,376 to the Public School Retirement System and an increase in the UAAL \$1,515,845 to the Public Education Employees' Retirement System.**

FISCAL IMPACT - Small Business

§135.1220 could have a fiscal impact small businesses making donations to scholarship granting organizations. It could also have a fiscal impact on small businesses defined as qualified service providers.

FISCAL DESCRIPTION

This act modifies provisions relating to education.

§135.1220 - Bryce's Law

This section creates "Bryce's Law." The Department of Elementary and Secondary Education (DESE) must develop a master list of resources available to the parents of children with an autism spectrum disorder. DESE must also actively seek financial resources in the form of grants and donations that may be devoted to scholarship funds or clinical trials for behavioral interventions that may be undertaken.

This section allows organizations to be classified as scholarship granting organizations, as described in the act, that may distribute scholarships to eligible children or students to attend a qualified school. Eligible children include children ages zero to five with an individualized family services program under First Steps. Eligible students include elementary or secondary students who have attended public school, as described in the act, who have an individualized education program based on a special needs condition or a medical diagnosis of a special needs condition.

DESE must establish procedures to identify and classify scholarship granting organizations and must also make an annual determination of the number of Missouri students with an individualized education program, including students with certain conditions, as described in the act. DESE must use a formula to determine the number of scholarships that may be distributed. Scholarship granting organizations may seek donations to distribute as scholarships. Scholarships will be distributed in the form of checks to the student's or child's parent.

FISCAL DESCRIPTION (continued)

DESE must conduct a study of the program with funds other than state funds. DESE must provide the general assembly with a copy of the study's final report by December 31, 2016.

The program will sunset in six years.

161.249 - Advisory Council on the Education of Gifted and Talented Children

This section creates the Advisory Council on the Education of Gifted and Talented Children. The Council will have seven members appointed by the Commissioner of Education. The Commissioner of Education must consider recommendations for membership from organizations of educators and parents of gifted and talented children. Members must be Missouri residents and selected based on their knowledge and experience with the education of gifted and talented children.

The Commissioner must seek the advice of the council regarding all rules and policies to be adopted by the State Board of Education relating to the education of gifted and talented children. The State Board must appoint a staff member to be a liaison to the council and must also provide necessary clerical support and assistance to the council.

§169.070 & 169.670 - Teacher and School Employee Retirement (PSRS & PEERS)

Currently, certain provisions of the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri that allow teachers and school employees to retire with less than thirty years of service will expire on July 1, 2013. This act makes these alternative retirement provisions permanent. Also, a provision that allows teachers with thirty-one or more years of service to receive a higher multiplier to be used in the calculation of his or her retirement benefits will expire on July 1, 2013. This act extends this provision until July 1, 2014. (Sections 169.070 & 169.670)

FISCAL DESCRIPTION (continued)

§§169.270, 169.291, 169.301, 169.324, 169.350 - Kansas City Public School Retirement System

This portion of the act makes changes to the Kansas City Public School Retirement System (KCPSRS).

§169.270 - Membership and minimum normal retirement age

This section modifies the qualifications for system membership. A person will cease to be a member of the retirement system if he or she has a break in service before he or she has earned vested retirement benefits or if the person withdraws his or her accumulated contributions from the system.

Currently, the minimum normal retirement age is the age of sixty or the date when a member has at least seventy-five credits. This section limits this minimum normal retirement age to members who retire before January 1, 2014, or individuals who were members of the system on December 31, 2013, and remain members continuously to retirement. For any person who becomes a member on or after January 1, 2014, minimum normal retirement age will be age sixty-two or the date when the member has at least eighty credits, whichever is earlier.

§§169.291 & 169.350 - Contribution rates

Currently, statute sets the employer contribution rate at 7.5% and the member contribution rate at 7.5%. Beginning in calendar year 2014 and for each subsequent year, the employer contribution rate will be determined by the system's actuary and certified by the board of trustees at least six months prior to the contribution rate's effective date. In addition, the member contribution rate will be determined by the system's actuary.

Beginning in 2013, and annually thereafter, the system's actuary must calculate the contribution rates for 2014 and each subsequent calendar year based on an actuarial valuation of the retirement system as of the first day of the prior calendar year. The actuary must use the actuarial cost method and actuarial assumptions adopted by the board of trustees, as described in the act. The target employer and member contribution rates will be the amount actuarially required to cover the normal cost and amortize any unfunded actuarial accrued liability over a period not to exceed thirty years.

DESCRIPTION (continued)

The target combined contribution rate will be allocated equally between the employer and member contribution rate except that the contribution rate must not be less than 7.5% and not exceed 9%. The contribution rate cannot increase more than one-half percent from one year to the next.

§169.324 - Benefit formula and COLA

This act modifies the benefit formula used to calculate the annual service retirement allowance.

The current benefit formula uses a multiplier of two when calculating the annual service retirement allowance. This act limits the use of this multiplier of two to individuals who retire before January 1, 2014, or who were members of the system on December 31, 2013. For individuals who become members on or after January 1, 2014, the annual service retirement allowance will be calculated using a multiplier of one and three-fourths.

The board of trustees may only award a cost-of-living-adjustment if it does not require an adjustment of the then applicable employer and member contribution rates.

§178.550 - Career and Technical Education

This section establishes the Career and Technical Education Advisory Council. It repeals the State Advisory Committee for Vocational Education.

The advisory council will consist of eleven members, appointed by the Governor with the advice and consent of the Senate. Members will consist of the following individuals: a director or administrator of a career and technical education center; an individual from the business community with a background in commerce; three current or retired career and technical education teachers who serve or have served as an advisor to a career and technical education student organization; a representative from Linn State Technical College; a school administrator; a representative from a business organization; a representative from a community college; a representative from SEMO or UCM; and an individual participating in an apprenticeship recognized by the Missouri Department of Labor and Industrial Relations or approved by the United States Department of Labor's Office of Apprenticeship.

A director of career and guidance counseling at the Department of Elementary and Secondary education, the director of the Division of Workforce Development and one member of the Coordinating Board for Higher Education will serve as ex-officio members.

FISCAL DESCRIPTION (continued)

The Assistant Commissioner for the Office of College and Career Readiness of the Department of Elementary and Secondary Education will provide staff support to the advisory council. The advisory council must meet at least four times annually. Business coming before the advisory council, including all decisions, votes, exhibits, outcomes, and materials must be made available by free electronic record, as described in the act.

The advisory council must make an annual written report to the State Board of Education and the Commissioner of Education regarding the state budget for career and technical education. The advisory council must annually submit written recommendations to the State Board of Education and Commissioner of Education regarding the oversight and procedures for the handling of students career and technical education organization funds.

The advisory council must develop a statewide short-range and long-range plan for career and technical education, identify legislative recommendations to improve career and technical education, and promote coordination of existing career and technical education programs, as described in the act.

The Department of Elementary and Secondary Education must provide documentation and information to allow the advisory council to be effective.


§§169.070 & 169.670 - Public school and education employee's retirement systems

Currently, certain alternative retirement allowance provisions, commonly referred to as "25 and out" and the "31st year factor" of the Public School and Public Education Employee Retirement Systems of Missouri, terminate on July 1, 2013. This proposal repeals the termination date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Higher Education
Department of Labor and Industrial Relations
Department of Economic Development
 Division of Workplace Development
Office of the Governor
Missouri Senate
Joint Committee on Public Retirement
Public School and Education Employees Retirement System
Colleges and Universities
 Linn State Technical College
 Kansas City Metropolitan Community College
 University of Central Missouri
 Missouri State University
 Northwest Missouri State University
School Districts
 Parkway
 Special School District of St. Louis County
 Francis Howell



Ross Strope
Acting Director
June 7, 2013